

2 March 1965

MEMORANDUM OF NEGOTIATION

SUBJECT: Contract GB-1965 with [REDACTED]

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1. On 25 February 1965 the undersigned Contracting Officer met with [REDACTED] to review the final audit of costs under Contract GA-1853 and to negotiate the follow-on effort under Contract GB-1965. [REDACTED] had proceeded the Contracting Officer and had conducted an audit of costs incurred under the prior contract and in addition had reviewed overhead rates and labor rates for the work proposed in the follow-on contract.

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2. In an earlier submission the Contractor had stated that its Contract GA-1853 would overrun because of an unexpected increase in the burden rate. At that time the Contractor had estimated an overhead increase of [REDACTED] which included \$491.00 change in scope for its subcontract with [REDACTED]. At the same time its estimated cost for the follow-on effort was quoted at [REDACTED]. The Contracting Officer had then requested the technical representative to secure this money for use on both contracts and this was done by [REDACTED].

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3. At the negotiations on 25 February the Contractor indicated that due to a serious drop in business the overhead rate had actually continued to increase resulting in a requirement for an additional [REDACTED] to cover the burden on Contract GA-1853. [REDACTED] had already alerted the Contracting Officer to this fact. [REDACTED] had also advised that further audit review was needed on the [REDACTED] subcontract costs. In view of the additional audit work needed on Contract GA-1853 nothing further was done by the Contracting Officer.

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4. In any event since total funds available for settling the old contract and continuing the new contract were insufficient the Contracting Officer found it necessary to scale back the man hours originally quoted on the new Contract GB-1965. Accordingly a 34% reduction was made in man hours quoted. In addition to this [REDACTED] had pointed out a discrepancy in the Contractor's quotation regarding the use of [REDACTED]. The discrepancy was corrected by applying the proper ratio of hours for [REDACTED]. In reviewing the travel costs it was noted that Contractor had quoted more days of travel than man hours of effort. As a result of this the Contracting Officer reduced the San Francisco trips from 4 days to 2 days each and the Washington, D. C., trips from 5 days to 3 days each. The Contracting Officer also refused to allow profit on travel, this was T and M.

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5. As a result of the foregoing changes and reductions a new total estimated cost of [] was arrived at for the follow-on effort. The disallowance of profit on travel resulted in an over all fee of [] which is well within the weighted-guide lines for the kind of effort involved in this contract; namely, technical study effort of a very high caliber. It was agreed with the Contractor if additional man hours were required in accomplishing the purpose of the contract the Contracting Officer would discuss this with the technical representative at the time this occurred. A decision would then be made as to the need for additional man hours.

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Contracting Officer

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